HOUSING MARKET OUTLOOK

Trois-Rivières CMA

Canada Mortgage and Housing Corporation

Date Released: Fall 2008

Resale market : sales volumes to stay high in 2008 and 2009

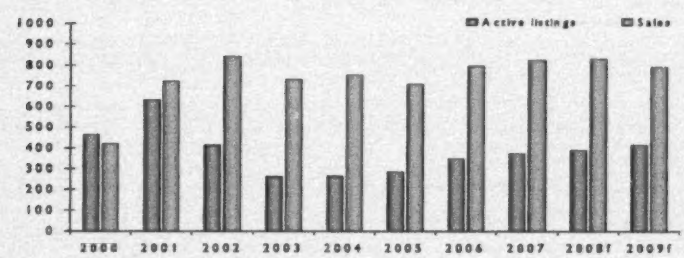
After a year of stability, resale market activity in the Trois-Rivières CMA will slow down somewhat in 2009. Still favourable financing conditions, a dynamic job market in 2007, strong net migration and slightly more properties for sale on the market helped maintain the number of transactions (830 sales, compared to 825 a year earlier). For 2009, a small decrease in sales is anticipated, with 790 transactions. While migration and rising inventories of properties for sale will continue to boost sales, the job market, which has been idling since the beginning of 2008, combined with higher home prices, will put a damper on resale market activity in the Trois-Rivières CMA next year.

Inventories of properties for sale on the market, which have been on

Figure 1

MLS® Sales and Listings

Trois-Rivières Census Metropolitan Area



Source: QFREB (CMHC compilation)
f: CMHC forecasts

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the rise since the low point reached in 2004, will continue their upward course in 2008 and 2009. In the absence of an equivalent increase in demand, this rise in supply will cause the market to ease further, pushing up the seller-to-buyer ratio. Since attaining its lowest level in 2004 (4.0 to 1), the seller-to-buyer ratio has been rising gradually year after year. At the end of 2007, the market even left the overheating zone, characterized by a ratio below 5 sellers per buyer. However, even though this ratio will continue to rise progressively from now until the end of 2009, the market will still remain below the balanced range*, reflecting a market where sellers will still have the edge. Consequently, significant price hikes will again be recorded. In 2008, the average price of single-family homes will reach $143,000, up by 6 per cent over 2007. The increase will be slightly smaller in 2009 (as the seller-to-buyer ratio will rise), and single-family homes will be selling for an average price of $148,500 (a hike of 4 per cent over 2008).

Residential construction: continued high rental housing starts volumes

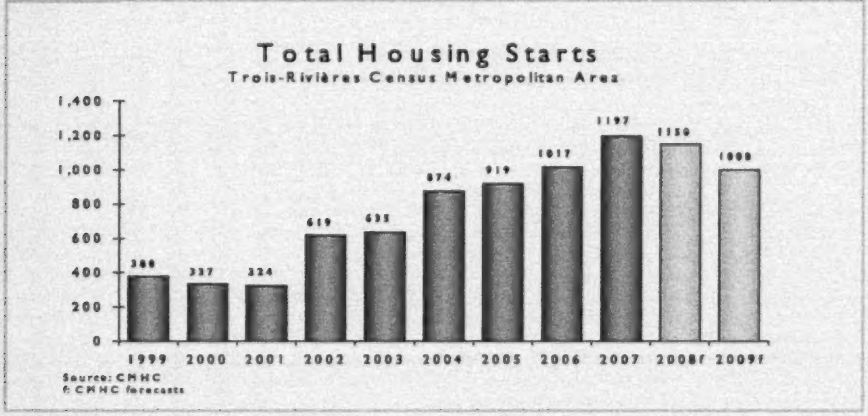
Residential construction has been very active in the Trois-Rivières CMA for the last four years, with starts volumes reaching very high levels. This vigorous activity has been attributable to the many rental housing starts, which have virtually jumped since 2004, in response to the low vacancy rates observed on the rental market. In fact, rental housing starts have accounted for close to half of the annual starts totals, for four years now. From 1996 to 2000, when the vacancy rate hovered around 8 per cent in the CMA, only 540 rental housing units were started. From 2002 to 2007, this figure climbed to 1,925 units, effectively doubling the share of rental housing starts, which rose from 23 per cent to 42 per cent within the space of a few years.

The results for 2008 will be similar to the levels recorded in previous years, and the total starts volume will remain high, once again supported by rental housing construction. In fact, a total of 1,150 starts should be enumerated in the Trois-Rivières area. For 2009, a small decrease is anticipated, as construction should get under way on 1,000 new dwellings. Rental housing starts are expected to fall slightly, as the vacancy rate will go back up in the CMA.

Single-detached home starts will decrease somewhat in 2008, and foundations should be laid for 400 houses on the CMA territory (compared to 430 in 2007). Still favourable financing conditions and an active job market in 2007 will keep single-detached housing starts at a relatively high level. In 2009, 350 such houses should be started. The wider choice of properties for sale on the existing home market, along with slowing household formation, will dampen demand for new houses.

Condominium construction in the Trois-Rivières CMA has been very limited and inconsistent over the past 20 years. Given the difficulties with the absorption of condominiums, developers have preferred to turn their efforts to the construction of other types of housing. The wind should change in 2009, however, when some 60 condominium units should get under way as part of the first phase of the Trois-Rivières-sur-Saint-Laurent development project.

Figure 2



** The balanced range for the seller-to-buyer ratio is between 8 and 10 to 1, indicating a market where neither buyers nor sellers are favoured. A ratio below 5 to 1 reflects an overheating market, or an extreme seller's market.*

Mortgage rates to remain low

Mortgage rates are expected to be relatively stable throughout the last quarter of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will decrease slightly in the first half of 2009 as the cost of credit to financial institutions eases. Rising bond yields, however, will nudge mortgage rates marginally higher in the latter half 2009. For the last quarter of 2008 and in 2009, the one-year posted mortgage rate will be in the 6.00-6.75 per cent range, while three- and five-year posted mortgage rates are forecast to be in the 6.50-7.25 per cent range.

Employment: slowdown in sight

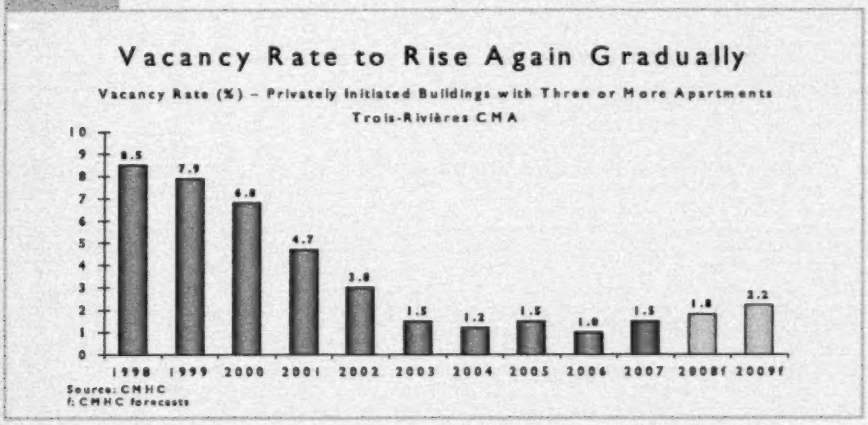
The Trois-Rivières census metropolitan area (CMA) job market will moderate slightly in 2008 and 2009. Following a relatively vigorous year in 2007, with more than 3,400 jobs created, the pace will slow down.

A climate of weakness and uncertainty continues to loom over manufacturing companies in the area, which have had to contend with several difficulties in recent years. In addition to the rapidly rising value of the Canadian dollar against the U.S. currency and increased competition from emerging countries, there are now fears on the part of exporters in the area related to the U.S. economy context, which could dampen the job outlook. However, although a few shutdowns have already been announced since the beginning of the year, other announcements, such as the canola seed and soybean crushing plant in Bécancour, suggest that, for the moment, certain manufacturing sectors might get through this period of turmoil relatively unscathed. The construction sector (residential and non-residential), for its part, will remain strong. A high volume of housing starts is anticipated, as several public infrastructure projects will be pursued in the area this year and next. In 2008 and 2009, employment growth in the Trois-Rivières CMA will hover between 0.1 per cent and 0.3 per cent (compared to 5 per cent in 2007).

Rental market: slight easing on the horizon

The Trois-Rivières CMA rental market has tightened significantly since the beginning of the decade. Strong migration to the area put upward pressure on demand for rental housing, which, combined with the low rental housing construction volumes recorded during the 1990s, caused the market to tighten considerably. From 7 per cent in 2000, the vacancy rate consequently fell to 1.5 per cent just three years later. Since then, this rate has stayed below the 2-per-cent mark, even with the arrival of many new rental housing units on the market. Demand therefore still remains vigorous, mainly on account of the strong migration. In 2008 and 2009, the vacancy rate will rise again gradually, reaching 1.8 per cent and 2.2 per cent, respectively. While migration will keep demand at a relatively high level, the rental housing supply, which has been progressively replenished in recent years, will cause the market to ease somewhat.

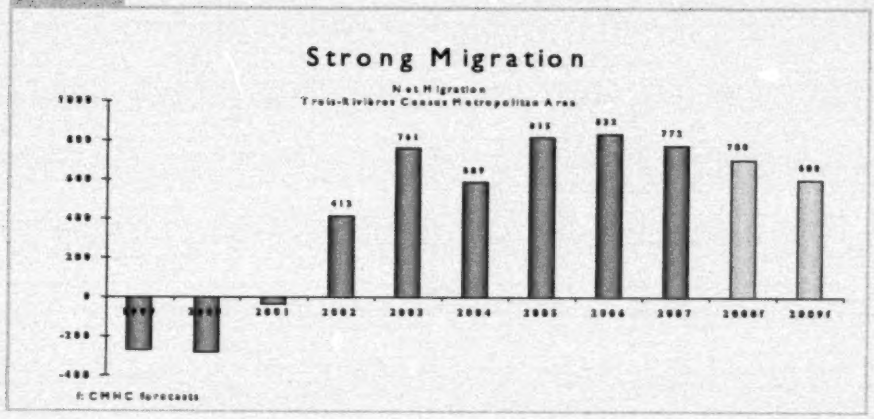
Figure 3



Migration: still strong

The Trois-Rivières CMA has attracted a significant number of migrants in recent years, which has greatly stimulated the residential real estate market. In fact, the years 2005 and 2006 particularly stood out in this regard, with annual net migration levels above 800 people, which had not been seen in over 15 years in the area. This strong migration will continue in 2008 and 2009, when the numbers of newcomers to the Trois-Rivières area should stay at levels similar to those of previous years. From now until the end of 2009, migration will therefore be the main driving force behind the Trois-Rivières CMA residential real estate market.

Figure 4



Forecast Summary
Trois-Rivières CMA
Fall 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	707	797	825	830	0.6	790	-4.8
MLS® Active Listings	286	350	375	385	2.7	405	5.2
MLS® Average Price ($)	144,668	118,783	134,814	143,000	6.1	148,500	3.8
New Home Market							
Starts:							
Single-Detached	367	372	430	400	-7.0	350	-12.5
Multiples	552	645	767	750	-2.2	650	-13.3
Starts - Total	919	1,017	1,197	1,150	-3.9	1,000	-13.0
Average Price ($):							
Single-Detached	166,673	176,831	184,966	194,200	5.0	202,900	4.5
Median Price ($):							
Single-Detached	160,000	165,000	170,000	178,500	5.0	184,650	3.4
New Housing Price Index (% chg) (Que.)	4.9	4.4	4.2	n.d.	_	n.d.	_
Rental Market							
October Vacancy Rate (%)	1.5	1.0	1.5	1.8	_	2.2	_
Two-bedroom Average Rent (October) ($)	474	488	487	497	_	504	_
Economic Overview							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	_	6.31	_
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	_	6.92	_
Annual Employment Level	69,375	67,325	70,775	70,845	0.1	71,060	0.3
Employment Growth (%)	9.4	-3.0	5.1	0.1	_	0.3	_
Unemployment rate (%)	9.2	8.1	7.8	8.1	_	8.0	_
Net Migration [1]	815	832	772	700	-9.3	600	-14.3

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

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